State of California

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To: Brian Bugsch, Chief **CBB**

Land Management Division

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From: Chaun Wong, Associate Property Appraiser (W)

Land Management Division

Subject: Lake Tahoe Category 1 Benchmarks 2017

General Lease – Recreational Use

Lake Tahoe, Placer and El Dorado Counties, California

As requested, I have updated the benchmarks for General Leases – Recreational Use involving recreational piers and buoys at Lake Tahoe. The Lake Tahoe Category 1 Benchmarks were last updated in 2012. The current update follows essentially the same methodology as used in the prior benchmarks. Reference is made to the 2012 study for additional background material that may be needed for the reader to more fully understand what the benchmarks are used for and how it is set.

The recommended benchmarks are summarized in the following table with the 2012 benchmarks.

LAKE TAHOE BENCHMARK SUMMARY								
Benchmark Date	2012	2017						
Berths/Slips								
Land Value (Per Acre)	\$382,356	\$488,844						
Rental Rate (Per Sq. Ft.)	\$0.79	\$1.01						
Buoys / Mooring Poles								
Per Buoy / Mooring Pole	\$377	\$516						

It should be noted that this research does not constitute an appraisal as defined by the Uniform Standards of Professional Appraisal Practice (USPAP). Rather, this research represents a correlation of a range of market rents into benchmark rental rates for private recreational facilities (e.g. docks, piers, and buoys) located on Lake Tahoe.

Presented on the following pages are the introduction, the scope of the current research, and discussions of the pertinent findings resulting in the updated benchmark rental rates.

Introduction

Leases are issued by the Commission for private recreational facilities such as docks, piers, and buoys. These facilities offer many of the same amenities as a commercial marina, such as a place for the docking and mooring of boats and the loading and unloading of passengers and equipment. In this manner, these privately-owned facilities represent a substitute for a commercial marina slip/buoy. Accordingly, the method of valuation used in estimating a fair return and a fair rental value in this analysis is based on what an individual would pay for a comparable substitute site in a commercial marina. The real estate economic principle that this method of valuation is based upon is known as the "Principle of Substitution".

The Principle of Substitution states that "when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution."

Since a Commission-leased site for a privately-owned pier or dock is a fairly good substitute for a marina slip, a lessee of the state land should pay a similar amount for the leased site as the state would receive for leasing the land to a commercial marina.

Scope

The scope of the research included the following:

- Identifying marinas with boat slips and/or buoy fields in Lake Tahoe area.
- Surveying the marinas as to the number and type of moorings (berths/slips/buoys), occupancy rate, mooring sizes and rates.
- Compiling the survey results into averages for slip size, buoy size, and rate.
- Using the "Layout and Design Guidelines for Marina Berthing Facilities" publication (last updated July 2005) from the State Department of Boating and Waterways to determine the amount of submerged land area necessary to accommodate a given mooring size.
- Calculating the annual rental rate(s) using the above information and State valuation guidelines.

A total of 12 marinas and/or buoy fields in Lake Tahoe were investigated. All of these marinas were contacted in the course of the survey and all cooperated to varying degrees.

¹ The Dictionary of Real Estate, Fifth Edition, page 190, Appraisal Institute, 2010.

Methodology

In order to determine the value of the leased area (pier, swim area, etc.), it will be necessary to determine: what income can typically be generated by a commercial marina; the area occupied by a marina slip in a well-designed marina; what the rental charge would be for a typical sized boat; and the rate of return the state should receive for the use of its land.

The Commission typically charges 5% to 6% of gross income for boat berthing for sites leased to commercial marina operators, with most of the leases set at 5% of gross income.

The Commission has a set rate of return of 9% of the appraised value of the leased land.²

The annual rent for buoys is based on a market survey of seasonal buoy rates at marinas in Lake Tahoe. The resulting average surveyed rent per month is compared to the monthly rent reported in the prior benchmark and a percentage of change is determined. This percentage of change or rate of increase (or decrease) is then applied to the prior benchmark rate to conclude with an updated annual rent for buoys.

Berth/Slip Rent

According to the survey, there are eight marinas with berths/slips³ available to the public. These marinas reported a total of 679 slips⁴, or an average of 97 slips per marina. During the in-season, the average marina occupancy rate was reported at 100%, with all of the marinas reporting full occupancy. The survey found that most marina berths at Lake Tahoe range from 20 to 35 feet in length, with an average berth size of approximately 27 feet. By contrast, a 26-foot length was used in the 2012 Lake Tahoe Benchmark. The discrepancy of average berth sizes is attributed to the accuracy of the data provided by the marina operators because it is believed that the marinas have not significantly changed since 2012.

Rent for berths is commonly expressed in terms of dollars per linear foot. Most marinas rent berths on a monthly basis; however, at Lake Tahoe berths are more commonly rented on a seasonal basis. The seasonal rates reported range from \$2,156 to \$8,863, with an average of \$5,880. It should be noted that seasonal rates for marinas at the south end of Lake Tahoe (El Dorado County) are considerably lower than the seasonal rates for marinas at the north end (Placer County). This is reportedly attributed to shallower water depths in South Lake Tahoe.

² Per the California Code of Regulations, Title 2, Division 3, Chapter 1, Article 2, Section 2003 Rental.

³ Note: Slip and berth are used interchangeably in the text hereafter.

⁴ Ski Run Marina reported 69 slips, but because they are all reserved for use by rental boats and fishing boats, they are not included in the count above. Tahoe City Marina reported 220 slips, however, only 159 slips are rented seasonally (the remainder 61 slips are located in their expansion area and most are not rented seasonally).

According to the survey respondents, the rental season ranges from four to six months, with most reporting an approximate five-month season (May – September). In this analysis, the seasonal rate for each marina is divided by the number of months reported in the season to arrive at a monthly rate. The monthly rate is then divided by the average slip length reported to arrive at an equivalent per linear foot rate. Based on this; the average monthly rental rates range from \$23.96 to \$58.75 per linear foot. The average is \$44.00 per linear foot per month.

Rates have been converted to a per square foot basis for use by the Commission in determining lease amounts based on the set rate of return of 9% of appraised value.

The benchmark rental rate for berths is calculated by multiplying the average berth length by the average rental rate. The product is then multiplied by 12 months to arrive at the gross annual income. The gross annual income is multiplied by 5% to get the income attributable to the submerged land. The income attributable to the submerged land is then divided by the amount of submerged land needed to accommodate the average berth length within a marina.

The submerged land area needed to accommodate an average berth is found in a publication entitled "Layout and Design Guidelines for Small Craft and Berthing Facilities" by the State Department of Boating and Waterways. This publication provides formulas and tables for calculating the submerged land area needed to accommodate various sizes and layouts of berths in marinas. Among other variables, the formulas take into account the berth length, berth layout (single vs. double), and the type of vessel (powerboat vs. sailboat). The submerged land area used in this benchmark analysis is based on a double berth layout (on the premise that it was the most economically efficient for the marina operator) and represents an average of the powerboat and sailboat areas.

From the tables in the publication, a submerged area of 705 square feet is shown as being necessary to accommodate the 27-foot average slip length indicated by the survey for Lake Tahoe. Taking all of the aforementioned into account, the current benchmark rental rate and land value for Lake Tahoe is calculated as follows:

- Average berth rate: \$44.00/linear foot/month
- Average boat length: 27 linear feet
- Submerged land area necessary to accommodate a typical boat slip: 705 sq. ft.
- California State Lands Commission set rate of return: 9%

27 linear feet x \$44.00/linear foot/month x 12 months = \$14,256.00/berth/year \$14,256.00 x 5% of gross income = \$712.80 \$712.80 \div 705 square feet = \$1.01 per square foot rental rate \$1.01/square foot x 43,560 square feet = \$43,996 per acre rental rate \$43,996 \div 9% = \$488,844 per acre land value (or \$11.22 per square foot value land value)

Benchmark Rental Rate =

\$1.01 per sq. ft.

Benchmark Land Value =

\$488,844 per acre

The indicated benchmark rental rate for Lake Tahoe area is \$1.01 per square foot. In contrast, the 2012 benchmark was \$0.79 per square foot. The new benchmark therefore represents an overall increase of \$0.22 from the 2012 benchmark.

Buoy Rent

The survey revealed that there were 10 marina facilities in California on Lake Tahoe with mooring buoys. These facilities reported a total of 517 buoys. During the in-season, the average marina occupancy rate ranged from 85% to 100%, with an average occupancy rate of 98%. Seven of these facilities reported occupancy rates of 100%; two reported 95%, and another 85%. According to the survey, the average swing area reported by the marina operators is 66-feet.

Like boat slips, mooring buoys on Lake Tahoe are commonly rented on a seasonal basis, with the typical season running from May through September, a period of five months. Consequently, rents are typically quoted on a seasonal basis. The survey indicated that seasonal rates on Lake Tahoe range from \$2,100 to \$7,170. Based on the number of months in the reported season, the equivalent monthly rates range from \$467 to \$1,434. The average of the surveyed rents is \$824 per month.

The average surveyed rent is approximately 37% higher (37.10%) than the average monthly rent reported in the 2012 Benchmark (\$601 per month). Applying this rate of increase to the prior benchmark rate of \$377 per buoy, results in a new benchmark rate of \$516 (\$377 x 1.37).

LAKE TAHOE SURVEY Boat Slips

No.	Name	County	# Slips	Avg. Length (feet)	In-Season	Season (Months)	In-season Occupancy Rate	In-Season Rates	Equivalent Rate (\$/LF/Mo.)	Comments
1	Lakeside Marina	El Dorado	63	20	May 15 - September 30	4.5	100%	\$2,156	\$23.96	In-season is 4.5 months (May 15 - September 30). The in-season rate of \$2,156 is based on an average \$23.96/LF/Mo.
2	Ski Run Marina	El Dorado	N/A	N/A	N/A		N/A	N/A	N/A	No public slips available. All slips are reserved for rental boats and fishing boats.
3	Timber Cove Marina	El Dorado	N/A	N/A	N/A	N/A	N/A	N/A		No slips available.
4	Tahoe Keys Marina	El Dorado	259	35	May 1 - October 31	6	100%	\$6,867		In-season is 6 months (May 1 - October 31). Verified online. The in-season rate of \$6,867 includes the \$120 additional monthly fee per slip and is based on an average \$32.70/LF/Mo.
5	Camp Richardson Marina	El Dorado	N/A	N/A	N/A		N/A	N/A	N/A	No slips available.
6	Meeks Bay Marina	El Dorado	N/A	N/A	N/A	N/A	N/A	1 11 1	N/A	Closed all season due to stormwater violations.
7	Obexer's Boat Company	Placer	40	28	May 1 - September 30	5	100%	\$6,644	\$47.46	In-season is 5 months (May 1- September 30). The in-season rate of \$6,644 is based on an average \$47.46/LF/Mo.
8	Homewood Marina	Placer	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No slips available. Only dry boat storage.
9	Sunnyside Marina	Placer	24	24	June 1 - September 30	4	100%	\$5,640	\$58.75	In-season is 4 months (June 1 - September 30). The in-season rate of \$5,640 is based on a seasonal rate of \$235/LF/Season or \$58.75/LF/Mo. The average length of 24 LF is a ballpark figure from Mike Schenone.
10	Tahoe City Marina	Placer	159	25	May 1 - October 31	6	100%	\$6,588	\$43.92	In-season is 6 months (May 1 - October 31). Verified online. The in-season rate of \$6,588 does not include the 61 slips located in the marina expansion area as most of these slips are not rented seasonally. The in-season rate of \$6,588 is based on an average \$43.92/LF/Mo.
11	Sierra Boat Company	Placer	117	24	June 1 - September 30	4	100%	\$4,400	\$45.83	In-season is 4 months (June 1 - September 30). The in-season rate of \$4,400 and average length of 24 LF are based on ballpark figures from Mac Scott as a breakdown of slip counts by size and rate were unavailable. The \$45.83/LF/Mo is based on the \$4,400 in-season rate.
12	North Tahoe Marina	Placer	17	32	May 1 - September 30	5	100%	\$8,863	\$55.39	In-season is 5 months (May 1 - September 30). The in-season rate of \$8,863 is an estimate based on reported range of \$5,700 - \$10,400 per season depending on slip size. Cathy Walsh was unable to provide a breakdown of slip counts by size and rate. The average length of 32 LF is a ballpark figure from Cathy Walsh.

Totals 679 Average 97 27 5 100% \$5,880 \$44.00

LAKE TAHOE SURVEY Buoys

No.	Name	County	Total Buoys	Swing Area (Feet)	In-Season	In-Season (Months)	In-Season Occupancy Rate	In-Season Rates	Rate Per Month	Comments
1	Lakeside Marina	El Dorado	10	75	May 15 - September 30	4.5	100%	\$2,100	\$467	In-season is 4.5 months (May 15 - September 30).
2	Ski Run Marina	El Dorado	71	50	May 1 - September 30	5	85%	\$2,450	\$490	In-season is 5 months (May 1 - September 30). The in-season rate of \$2,450 is based on an average of \$2,200 per season (<28') and \$2,700 per season (>28').
3	Timber Cove Marina	El Dorado	80	75	May 15 - September 30	4.5	95%	\$2,550	\$567	In-season is 4.5 months (May 15 - September 30). The in-season rate of \$2,550 is based on an average of \$2,300 per season (<28') and \$2,800 per season (>28').
4	Tahoe Keys Marina	El Dorado	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No buoy field.
5	Camp Richardson Marina	El Dorado	88	75	May 15 - October 15	5	95%	\$2,550	\$510	In-season is 5 months (May 15 - October 15). The in-season rate of \$2,550 is based on an average of \$2,300 per season (<28') and \$2,800 per season (<28'). There are 110 buoys total, but approximately 20% (or 22 buoys) are left vacant for short-term guests only. Approximately 88 buoys are rented.
6	Meeks Bay Marina	El Dorado	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Closed all season due to stormwater violations.
7	Obexer's Boat Company	Placer	15	N/A	May 1 - September 30	5	100%	\$3,501	\$700	In-season is 5 months (May 1 - September 30). The in-season rate of \$3,501 is based on an average of \$3,313 per season (<28') and \$3,689 per season (>28').
8	Homewood Marina	Placer	125	62	May 1 - September 30	5	100%	\$7,000	\$1,400	In-season is 5 months (May 1 - September 30).
9	Sunnyside Marina	Placer	24	50	June 1 - September 30	4	100%	\$3,500	\$875	In-season is 4 months (June 1 - September 30).
10	Tahoe City Marina	Placer	41	75	May 1 - September 30	5	100%	\$4,100		In-season is 5 months (May 1 - September 30). The in-season for the buoys is reportedly one month shorter than the in-season for the slips. The in-season rate of \$4,100 is based on an average of \$3,800 per season (<28') and \$4,400 per season (>28').
11	Sierra Boat Company	Placer	15	65	N/A	N/A	100%	N/A	\$975	No seasonal rate; only rents monthly. Three month minimum is required.
12	North Tahoe Marina	Placer	48	N/A	May 1 - September 30	5	100%	\$7,170		In-season is 5 months (May 1 - September 30). The in-season rate of \$7,170 is an estimate based on reported range of \$5,000 - \$9,350 per season depending on the boat size.

Totals 517
Average 52 66 5 98% \$3,880 \$824